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Ministry of
Forests and Range

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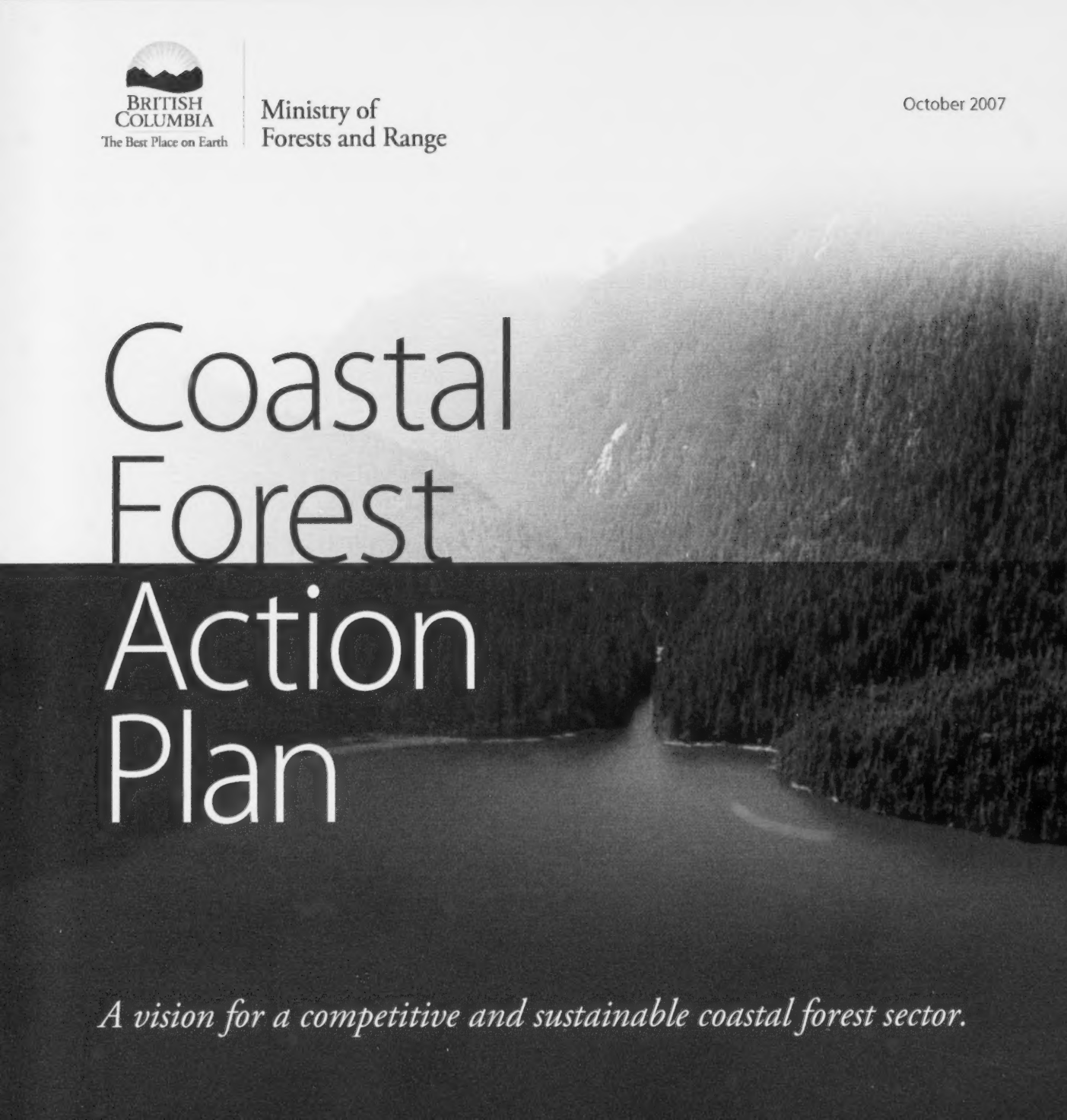


Coastal Forest Action Plan

A vision for a competitive and sustainable coastal forest sector.

Minister's Message

British Columbia's coastal forests are recognized for their beauty, rich biodiversity and contribution to the provincial economy.

Government's 2003 forest policy changes attracted new investment to the Coast, but competitive conditions have evolved and more change is needed. Although cyclical by nature, the coastal forest sector is currently facing challenges because it is a high-cost producer of forest products facing stiff competition in traditional markets.

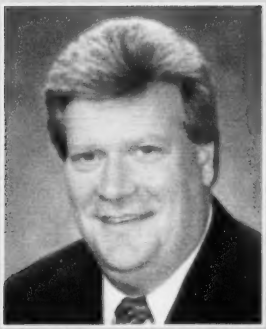
In the last two years, government has moved forward with land use decisions for the central and north coast and a softwood lumber agreement has been concluded with the U.S.A. These land use decisions send strong signals to international markets that British Columbia is a leader in sustainable forest management. We also need to signal that B.C.'s coastal forest sector is globally competitive and worthy of investment.

Government's vision is for a competitive coastal forest sector that contributes to prosperous communities, stable employment and government revenue. We achieve that vision by creating the conditions to encourage investment, exploring new markets and products, addressing demands for timber and modifying log export policies.

We also need to aggressively focus our efforts on second-growth forests. Since 1995 the proportion of harvest in second-growth has increased from five per cent to 29 per cent today. Through more intensive management, second-growth stands can be harvested about 20 years earlier. Second-growth harvesting, more intensive management and security of access to timber will give licensees the certainty they need to further invest in mills.

There is no "silver bullet" to instantly make the coastal forest sector more competitive. By shifting our thinking – moving into second-growth, providing new tenures for smaller operators, working with First Nations and taking advantage of new innovations – the coastal forest sector will continue to evolve.

These policy shifts will encourage new investment in the forest sector and continue to provide consumers in B.C. and around the world with products from a sustainable, renewable and carbon-neutral resource.



Rich Coleman
Minister of Forests
and Range

Coastal Forest Action Plan

Introduction

Government's vision is for a competitive coastal forest sector that contributes to prosperous communities, First Nations, stable employment and government revenue.

Throughout coastal British Columbia, the forest industry remains a key contributor to the economy of the region, directly employing 12,000 workers and generating $250 million in direct revenues to the provincial and local governments. Although the economy on the Coast is becoming more diversified through the growth of other industries, many communities, such as Campbell River, Port Alberni, Powell River and Port Hardy, continue to be highly dependent on the forest sector for jobs in both harvesting and in milling.

Since the emergence of the industry on the Coast over 100 years ago, forest sector operators have had to continuously adapt to keep their businesses viable. Shifts in demographics and public expectations, along with changes in technology and international markets, have transformed the industry from its early days. In some respects, the industry has not been able to respond fast enough to new realities.

Recent and emerging challenges include loss of traditional markets, low return on investment, high operating costs and aging mills that are less productive. In an analysis produced for the Province in 2001, resource economist Dr. Peter Pearse noted that antiquated mills would need to close, and that new ones would have to be built to accommodate a changing harvest profile, and changes in customer demands. This rationalization is still occurring.

Government has introduced market-based forest policies designed to create a business climate to attract new investment to enable those new mills to be built. Since 2004, the coastal forest industry has invested over $250 million in new capital equipment to modernize production processes. In 2007, industry plans to invest a further $120 million. These investments are necessary for the continued prosperity of the sector and demonstrate the commitment of the industry to a sustainable forest sector on the B.C. Coast.

The Coastal Forest Action Plan builds on previous actions and focuses on changes required to enable the coastal forest industry to adapt to current issues and emerging trends.

Coastal Forest Action Plan

Innovation through Science and Technology

The BC Competition Council highlighted the challenges and opportunities facing the coastal forest sector. As well, a recently released market study concluded that potential for second-growth hemlock and balsam should be explored further since new markets are key to the long-term success of the sector.

In the past, products and markets have focused on cedar and fir. Hemlock and balsam, the predominant tree species on the Coast, have been underutilized. Opportunities exist to develop new markets and new products from hemlock and balsam. As well, efficiencies can be realized in both the harvesting and manufacturing sectors. Applying science and technology is one way to more fully realize the benefits from coastal forest resources.

ACTION:

Together the forest industry, Natural Resources Canada, FPInnovations and the provincial government are supporting a comprehensive research and development program over the next five years, in up to 18 projects, to enable the right tree to be manufactured into the right product and delivered to the right market. Project highlights include:

- Developing new products from hemlock and balsam that provide a competitive advantage over products from other tree species.
- Investigating non-traditional product uses, such as bioenergy, biofuels and specialty chemicals.
- Building a knowledge base that would identify growing sites of particular grades of wood to match to the appropriate end-product. For example, if a licensee has market demand for a product made from a certain grade of hemlock, the licensee can harvest the site known to contain that grade of hemlock, instead of harvesting a larger area and sorting through various grades after the fact.
- Identifying technology to improve efficiency in harvesting and transportation.
- Improving log sorting, tracking and managing systems to reduce stockpiles of log grades that are not in market demand.
- Assessing the ongoing economics of using fibre and analyzing government policies and industry strategies on competitiveness.

More Efficient Timber Marking Requirements

Government requires companies to account for all timber harvested and transported, by scaling (measuring) timber, and tracking the movement of the logs by stamping logs with a hammered-in timber mark. Proper marking ensures payment of stumpage fees and prevents timber theft. On the Coast, timber is often transported by water. Requiring every log in a boom to be marked is unnecessary for tracking purposes, decreases efficiency for both government and industry, and also poses concerns about worker safety.

ACTION:

In July, the Province changed the requirements for marking timber transported by water to be more efficient in tracking and reconciling timber volumes. Combined with 2006 changes that enable logs to be scaled by weight, rather than piece by piece, the Province has increased efficiencies for both government and industry, without increasing the risks of lost timber.

Government and industry are working to develop sophisticated technologies to scale timber using scanners, thereby increasing efficiencies.

Land Use Certainty

Since the early 1990s, the timber harvesting land base on the Coast has been reduced significantly. Of the 15.8 million hectares that make up the Coast Forest Region, about 2.5 million hectares make up the Crown timber harvesting land base, while 3.14 million hectares are in parks and other areas excluded from harvesting. The land available for harvesting continues to shrink as new parks, recreation and wildlife habitat areas are established and urban development increases. As well, ecosystem-based management objectives in the central and north coast land use planning areas further reduce areas available for timber harvesting. Licensees need certainty about their harvest areas to protect their investments in planning and developing.

ACTION:

Government is exploring options for different forms of tenure including a shift from volume-based to area-based forest tenures. Volume-based tenures grant licensees the right to harvest a certain amount of timber within a specified timber supply area, allowing several companies to operate in the same area. Area-based tenures, like community forests, woodlots and tree farm licences, grant the licensee virtually exclusive rights to harvest timber within a specified area and provide certainty to licensees.

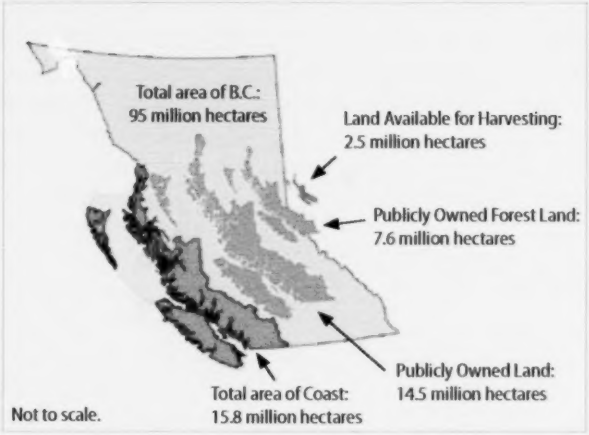
Move to Harvesting Second-Growth

The BC Competition Council and some major forest licensees have identified increased harvesting in second-growth stands as a way to improve their competitiveness. In 1995, about five per cent of the harvest on the Coast was in second-growth stands, and that has increased to 29 per cent today – or about five million cubic metres.

Second-growth on the Coast is generally defined as trees less than 120 years of age, with the majority available for harvesting at 70-75 years. Second-growth forests that are 41-120 years cover 565,000 hectares on the Crown timber harvesting land base. Through forest management activities, it's estimated that second-growth stands could be harvested much sooner – at an average of 50-55 years of age. Over the next decade, the amount of second-growth harvested could increase to eight million cubic metres.

In the short term, harvesting in some old-growth stands will need to continue to meet current market needs of major licensees, smaller operators and First Nations licensees. However, old-growth forests are not disappearing. On the Coast, there are over four million hectares of old growth forest – but only 769,000 hectares are available for harvesting on Crown land. On Vancouver Island, there are four hectares of old-growth forest for every one hectare of settled and agricultural land. Whether harvesting is conducted in old-growth or second-growth stands, it will continue to be done in a sustainable manner and in compliance with B.C.'s world-renowned forest practices.

Coast Land Base



ACTION:

To shift to second-growth harvest, government is investing nearly $15 million over three years in incremental silvicultural activities, including fertilization, tree improvement and updating site productivity data.

- Fertilization will help second-growth stands become merchantable sooner. Over three years, the 20,000 hectares identified for fertilization is estimated to produce an additional 600,000 cubic metres of wood. Fertilizing our forests also helps with carbon sequestration. Scientists estimate that fertilizing one hectare of Douglas-fir can sequester eight tonnes of carbon.
- Tree improvement activities include identifying high-performing Douglas-fir, western red cedar and hemlock trees to produce high-quality seed; collecting seed from these high-performing trees; and producing western red cedar trees that are naturally resistant to disturbance by deer. Through these and other incremental tree improvement activities, it is estimated that trees planted on the south coast will be able to yield five to10 per cent more volume before their harvest age than would otherwise be realized.
- Site productivity refers to the capability of a site to grow timber volume. In B.C., the site index is defined as the height of a site tree at 50 years. This is used to help estimate forest-stand growth and yield and plays a key role in supporting allowable annual cut determinations. However, site index currently underestimates productivity, particularly in young second-growth stands. Using improved site productivity estimates could increase long-term harvest volumes in key timber supply areas by up to 18 per cent.

The government and forest licensees are drafting new strategic plans for each timber supply area and tree farm licence that will be considered by the Chief Forester as part of timber supply reviews to ensure harvest levels for both second-growth and old-growth stands are sustainable.

First Nations

Almost 1.3 million cubic metres of timber on the Coast will be going towards First Nations tenures. To date, government has committed to offering one or more tenures in 67 agreements with coastal First Nations. Of those, 41 tenures are operational. Government is working with the Aboriginal Forest Industries Council, coastal forest companies and the Truck Loggers Association to ensure these recently awarded forest licences are harvested and appropriate expertise is developed.

ACTION:

With the First Nations Forestry Council and the forest industry, government will improve the viability of First Nations tenures, addressing the form of tenure, the location of operating areas, administrative costs, and extension and business development capacity.

Encourage Deciduous Harvest

The main focus of harvesting on the Coast has been softwood tree species; however, the harvesting of hardwoods, such as alder, birch, cottonwood and maple, supports a high-value market. The industry estimates that logging and milling of hardwoods generates economic spin-offs of $60 million to the coastal economy. Hardwoods are used primarily in furniture manufacturing, cabinetry, millwork and panelling, and various paper products.

In 2006, about 332,000 cubic metres of hardwood were harvested in the Coast forest region, primarily in the Fraser Valley, Sunshine Coast and central Vancouver Island. Cottonwood has a long history of management on the Coast and provides raw material to a mill in New Westminster. Alder has also become an important raw material. It is the most predominant hardwood and grows quickly, but starts to deteriorate after 60 years. In the past, harvest strategies have not focused on replenishing alder.

Government has a strategy in place to encourage the harvest and reforestation of alder, but more can be done. Unlike conifer species, alder requires more intensive management with short rotations to provide economic returns. A stronger alder market needs to be encouraged to maximize the use of this species while generating value to the province.

ACTION:

The government is working with licensees to encourage hardwood harvest and planting, including alder.

Log Exports

Log exports play an important role in the coastal economy by providing jobs in the logging and transportation sectors. Before logs can leave the province, exporters must prove that logs are surplus to domestic needs. Log exports from private lands are regulated by the federal government, while log exports from Crown land are regulated by the Province and the federal government. Exporters must pay a "fee-in-lieu of manufacture" on logs they export from Crown land.

An independent review of B.C.'s log export policies found that the export tax charged on softwood lumber exports to the U.S. encourages the export of logs.

ACTION:

Effective February 1, 2008, log export fees on timber from Crown lands in the southern coastal region will be linked to the export tax charged on softwood lumber products shipped to the U.S. This linkage will reduce the incentive to export logs to the U.S. when the lumber export tax is high.

The situation in the forest sector in the central and north coast, Queen Charlotte Islands and the Northwest is significantly different from the south coast. Logging costs are high and there are few manufacturing facilities in this northern zone.

Under current Orders-in-Council (OICs), up to 35 per cent of the logs harvested in the Northwest and in the Mid-Coast area are considered surplus to domestic needs and can be exported. Government is extending the current OICs and expanding the area to include the Queen Charlotte Islands. Recognizing higher harvesting costs in these areas, the export fees on logs will be set at a lower rate than in the southern zone that covers Vancouver Island and the mainland coast south of Cape Caution.

Cedar is a high-value, unique species and the ban on exporting cedar logs from Crown land will be maintained.

Value-Added Sector

Value-added producers are a small but significant sector of the forest economy. In 2006, value-added sector sales totalled $4.85 billion, with 57 per cent of value-added companies located on the Coast.

ACTION:

The provincial government introduced a new $1 million program in September to improve the business development for value-added manufacturers. Operated by BC Wood and FPInnovations, the program assists firms in business planning, marketing and improving their manufacturing technology.

The government contracted Pricewaterhouse-Coopers to examine the impacts of "first mill" treatment on remanufacturers and to provide them with information so they can decide how best to structure their businesses. Under the softwood lumber agreement, remanufacturers who meet the criteria receive a beneficial "first mill" treatment which means the export charge is assessed on the value of their lumber inputs rather than the export value of their products. To obtain first mill treatment, remanufacturers must not own tenures (including timber sale licences) and must not be associated with tenure holders.

New Tenures for Smaller Operators

Government will create new timber tenure opportunities for smaller operators in niche markets. Over the next five years, the timber volume available for small coastal operators is targeted to grow to 200,000 cubic metres per year.

Competitive Pulp and Paper Sector

The pulp and paper and solid wood industries are interconnected; the competitiveness of one sector is highly dependent on the other.

ACTION:

In May 2006, Coast pulp log grades were adjusted to more accurately reflect the end use of logs in pulp and paper, and lumber. As well, a Pulp and Paper Task Force has been formed with industry to improve competitiveness.

Conclusion

The coastal forest economy will continue to evolve and the actions outlined in this plan are designed to maintain an investment climate that will ensure British Columbians continue to enjoy economic and social prosperity. As external factors change, government will continue to provide an environment that allows B.C.'s coastal forest sector to become more globally competitive. By balancing environmental and economic concerns, British Columbia will continue to be watched and envied by the world.

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